

Managerial Accounting, Canadian Edition (Braun)
Chapter 1 Introduction to Managerial Accounting

Section 1.1

1) Controlling means overseeing the company's day-to-day operations.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-1

EOC: QC1-1

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

2) Managerial accounting gathers, summarizes, and reports the cost and revenue data relevant to each decision that is made.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-1

EOC: QC1-3

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

3) Evaluating the results of business operations against a plan and then making adjustments to that plan is called budgeting.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-1

EOC: QC1-1

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

4) The four primary responsibilities of managers are planning, directing, controlling, and decision making.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-1

EOC: QC1-1

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

5) Managerial accounting develops reports that help internal parties effectively and efficiently run the company.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

6) Directing means setting goals and objectives for the company and determining how to achieve them.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

7) Budgets are the quantitative expression of management's plans.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

8) Which of the following is NOT one of the primary responsibilities of management?

A) Controlling

B) Decision-making

C) Adhering to GAAP

D) Directing

Answer: C

Diff: 2 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

9) Planning involves which of the following activities?

- A) Setting goals and objectives for the company
- B) Overseeing the company's day-to-day operations
- C) Evaluating the results of operations
- D) None of the above

Answer: A

Diff: 1 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

10) When management compares the budget to actual results, which of the following is being fulfilled?

- A) Directing
- B) Controlling
- C) Decision-making
- D) Planning

Answer: B

Diff: 2 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

11) Which of the following management responsibilities are being fulfilled when management uses feedback to take corrective action on the budgets?

- A) Directing and planning
- B) Planning and decision-making
- C) Controlling and decision-making
- D) Planning and controlling

Answer: C

Diff: 2 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

12) Which of the following management responsibilities is being fulfilled when management decides to move production to another country to lower costs?

- A) Directing
- B) Planning
- C) Decision-making
- D) All of the above

Answer: D

Diff: 3 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

13) Which one of the following manager responsibilities encompasses the other three?

- A) Decision-making
- B) Feedback
- C) Planning
- D) Controlling

Answer: A

Diff: 2 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

14) Using product cost information to determine sales prices is an example of:

- A) controlling, planning, and decision-making.
- B) directing, controlling, and planning.
- C) directing, planning, and decision-making.
- D) controlling, directing, and planning.

Answer: C

Diff: 3 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

15) Reviewing hourly sales reports to determine the level of staffing needed to service customers fulfills which of management's four primary responsibilities?

- A) Directing, planning, and decision-making
- B) Directing, controlling, and planning
- C) Controlling, planning, and decision-making
- D) Analyzing, directing, and planning

Answer: A

Diff: 3 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

16) Budgets are the way that managers can express their:

- A) plans.
- B) decision-making.
- C) control.
- D) hiring practices.

Answer: A

Diff: 1 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

17) Comparing actual results to budgets is an example of the management function of:

- A) controlling.
- B) decision-making.
- C) directing.
- D) planning.

Answer: A

Diff: 1 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

18) Overseeing the day-to-day operations of a company is an example of the management function of:

- A) controlling.
- B) decision-making.
- C) directing.
- D) planning.

Answer: C

Diff: 1 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

19) Preparing budgets is an example of the management function of:

- A) controlling.
- B) decision-making.
- C) directing.
- D) planning.

Answer: D

Diff: 1 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

20) Evaluating results against the plan is an example of the management function of:

- A) controlling.
- B) decision-making.
- C) directing.
- D) planning.

Answer: A

Diff: 1 Type: MC

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

21) What are the four primary responsibilities of managers as described in the chapter? Give an example of each type of responsibility.

Answer:

The following are managers' four primary responsibilities:

- a. Planning: An example of planning is when the manager of a local McDonald's restaurant makes the schedule of employee work hours for the upcoming week.
- b. Directing: An example of directing is when the manager of the local McDonald's adjusts the menu to reflect local tastes and preferences.
- c. Controlling: An example of controlling is when the manager of the local McDonald's compares the actual number of hamburger patties used over the past week to the budgeted number of hamburger patties.
- d. Decision-making: The owners of the local McDonald's franchise analyze the potential of the current location and decide to open a second location five miles away in a popular shopping plaza.

Note that student examples of each type of responsibility may vary.

Diff: 2 Type: ES

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

22) Indicate which of the four primary responsibilities of managers is described by each of the following statements:

- a. Setting goals and objectives
- b. The process in which management engages while it plans directs and controls operations.
- c. Evaluating results of business operations.
- d. Determining how to achieve company goals.
- e. Overseeing the company's day to day operations.

Answer:

- a. Planning
- b. Decision making
- c. Controlling
- d. Planning
- e. Directing

Diff: 2 Type: ES

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

23) Indicate which of the four primary responsibilities of managers is described by each of the following statements:

- a. Determining how to achieve company goals and objectives.
- b. Making adjustments to keep the company pressing towards its goals.
- c. The process in which management engages while it plans directs and controls operations.
- d. Management uses managerial accounting reports to run daily business operations.
- e. Evaluating results of business operations.

Answer:

- a. Planning
- b. Controlling
- c. Decision making
- d. Directing
- e. Controlling

Diff: 2 Type: ES

LO: 1-1

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

24) For each of the decision/action described below indicate which of the four stages of management it involves:

- a. Setting a 20% increase in sales as goal for the next fiscal period.
- b. Streamline company procedures to reduce the time required per unit of product produced
- c. Selecting the best corporate website design from a number of proposals.
- d. Monitor both voluntary and involuntary employee turnover.

Answer:

- a. Planning
- b. Directing
- c. Decision making
- d. Controlling

Diff: 2 Type: ES

LO: 1-1

EOC: P1-28

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

25) For each of the decision/action described below indicate which of the four stages of management it involves:

- a. Making a determination about the appropriate level of advertising expenditures.
- b. Increasing marketing efforts.
- c. Implement an employee training program to improve moral.
- d. Setting a target level of employee turnover.

Answer:

- a. Decision making
- b. Directing
- c. Directing
- d. Planning

Diff: 2 Type: ES

LO: 1-1

EOC: P1-28

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

26) For each of the decision/action described below indicate which of the four stages of management it involves:

- a. Determine that sales should be increased by 10% in the upcoming fiscal quarter.
- b. Set prices at a competitive level.
- c. Improve the design of the corporate website.
- d. Monitor web traffic through the use of an online counting device.

Answer:

- a. Planning
- b. Directing
- c. Directing
- d. Controlling

Diff: 2 Type: ES

LO: 1-1

EOC: P1-28

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

27) For each of the decision/action described below indicate which of the four stages of management it involves:

- a. Track level of output to determine efficiency of operations.
- b. Train employees on a new production system.
- c. Compare actual sales for the period to the budget.
- d. Determining the amount and type of advertising to be used.

Answer:

- a. Controlling
- b. Directing
- c. Controlling
- d. Decision making

Diff: 2 Type: ES

LO: 1-1

EOC: P1-28

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

Section 1.2

1) The design of a management accounting system should consider how reports affect employees' behavior.

Answer: TRUE

Diff: 2 Type: TF

LO: 1-2

EOC: E1-9

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

2) GAAP must be followed when managerial accounting reports are prepared.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-2

EOC: QC1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

3) Management accounting requires independent audits of the firm's books.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

4) The primary purpose of managerial accounting information is to help external users make investing and lending decisions.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

5) The primary users of managerial accounting information are internal users such as managers.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

6) The primary managerial accounting product is the company's audited financial statements.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

7) Managerial accounting information emphasizes relevance, more than reliability and objectivity.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

8) Managerial accounting information tends to report on segments of the business.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

9) Managerial accounting reports are always prepared on a quarterly and annual basis.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

10) Managerial information is always based on historical transactions with external parties.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

11) Which of the following statements is TRUE about managerial accounting information?

- A) It is prepared annually and quarterly.
- B) It is audited by CPAs.
- C) It emphasizes relevance.
- D) It must be prepared in conformity with generally accepted accounting principles (GAAP).

Answer: C

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

12) Management accounting focuses on:

- A) external reporting.
- B) internal reporting.
- C) tax preparation.
- D) auditing.

Answer: B

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

13) The person MOST likely to use ONLY financial accounting information would be the:

- A) bank loan officer.
- B) plant manager.
- C) vice president of plant operations.
- D) product manager.

Answer: A

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

14) Which of the following types of information are used in managerial accounting?

- A) Financial information
- B) Nonfinancial information
- C) Forecasts of future earnings
- D) All of the above

Answer: D

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

15) Which of the following persons or groups would be LEAST likely to receive detailed managerial accounting reports?

- A) Plant managers
- B) Current shareholders
- C) Sales territory managers
- D) CEO

Answer: B

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

16) Which of the following types of accounting is designed to meet the needs of decision-makers inside a company?

- A) Audit accounting
- B) Financial accounting
- C) Managerial accounting
- D) Tax accounting

Answer: C

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

17) The primary goal of managerial accounting is to provide information to:

- A) shareholders.
- B) creditors.
- C) internal decision-makers.
- D) both shareholders and creditors.

Answer: C

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

18) The primary goal of financial accounting is to provide information for:

- A) potential investors.
- B) creditors.
- C) governmental regulators.
- D) all of the above.

Answer: D

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

19) Which of following is TRUE?

- A) Management accounting focuses on historical transactions.
- B) Financial accounting uses the cash basis for recording transactions.
- C) Financial accounting focuses on future data.
- D) Management accounting focuses on relevant data.

Answer: D

Diff: 2 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

20) Which statement is TRUE?

- A) Management uses reports created for internal parties.
- B) Management uses financial information to plan internal operations.
- C) Management uses financial information to analyze costs.
- D) All of the above are true.

Answer: D

Diff: 2 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

21) Which of the following statements is FALSE?

- A) Financial accounting provides sufficient information for managers to effectively plan and control operations.
- B) Financial accounting reports help creditors make decisions.
- C) Financial accounting helps investors make decisions.
- D) Financial accounting provides external reports.

Answer: A

Diff: 2 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

22) Which of the following is TRUE?

- A) Managerial accounting reports are audited by CPAs.
- B) Managerial accounting reports provide detailed internal information.
- C) Managerial accounting reports aid potential investors.
- D) Managerial accounting reports must follow GAAP.

Answer: B

Diff: 2 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

23) Which of the following are the internal decision-makers of a company?

- A) Vendors
- B) Customers
- C) Managers
- D) Shareholders

Answer: C

Diff: 1 Type: MC

LO: 1-2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

24) Which of the following reports must be audited by an outside agency?

- A) Annual financial statements
- B) Monthly financial statements
- C) Annual financial budgets
- D) All of the above

Answer: A

Diff: 2 Type: MC

LO: 1-2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

25) Which of the following groups are external users of financial information?

- A) Customers of the company
- B) Vendors of the company
- C) Potential investors of the company
- D) All of the above

Answer: D

Diff: 1 Type: MC

LO: 1-2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

26) Which of the following groups are most likely to use a company's budget information?

- A) Managers
- B) Customers
- C) Creditors
- D) Suppliers

Answer: A

Diff: 1 Type: MC

LO: 1-2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

27) Decision makers inside a company are its:

- A) creditors.
- B) customers.
- C) managers.
- D) shareholders.

Answer: C

Diff: 1 Type: MC

LO: 1-2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

28) Owners of a company are its:

- A) creditors.
- B) customers.
- C) managers.
- D) shareholders.

Answer: D

Diff: 1 Type: MC

LO: 1-2

EOC: E1-19

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

29) Information for external parties about past performance is provided by:

- A) budget reports.
- B) financial accounting reports.
- C) managerial accounting reports.
- D) planning reports.

Answer: B

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

30) Information for internal parties about past performance is provided by:

- A) budget reports.
- B) financial accounting reports.
- C) managerial accounting reports.
- D) planning reports.

Answer: C

Diff: 1 Type: MC

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

31) Discuss at least four differences between financial accounting and managerial accounting.

Answer:

Item	Managerial accounting	Financial accounting
Primary users	Internal	External
Purpose of information	To help managers make decisions	To help investors and creditors make decisions
Focus	Segments	Entire organization as a whole
Frequency	As needed	Quarterly and annually
Auditing	Not subject to audit	Publicly held companies are audited
Required?	No	Required by GAAP, SEC, IRS, and others
Time frame focus	Future	Past (historical transactions)

Diff: 2 Type: ES

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

32) Is financial accounting or managerial accounting more useful to a plant (factory) manager? Explain your answer.

Answer: Managerial accounting is likely to be much more useful to a plant manager than financial accounting. Financial accounting typically gives financial information for the company as a whole; the plant manager would find very little information in the financial accounting reports which relate directly to the plant environment and the performance of the plant itself. Managerial accounting, on the other hand, could provide the plant manager with information relating to just the plant. Examples of some types of information provided by managerial accounting are:

- a. comparison of budgeted costs versus actual costs.
- b. tracking of safety incidents.
- c. quality costs.
- d. product line profitability.
- e. profitability by shift.

(Student examples may vary.)

Diff: 2 Type: ES

LO: 1-2

EOC: S1-2

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

Section 1.3

1) The CFO of a company is responsible for the day-to-day running of the company.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

2) The treasurer and the controller report directly to the CFO.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

3) The internal audit department reports directly to the subcommittee of the board of directors called the audit committee.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

4) In most companies, managerial accountants no longer perform routine mechanical accounting tasks.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-3

EOC: E1-10

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

5) Managerial accountants are now considered to be similar to advisors and business analysts.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-3

EOC: E1-10

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

6) Oral and written communications skills are considered among the most valuable skills a management accountant can possess.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-3

EOC: E1-10

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

7) Technology has been a driving factor in the changing roles of management accountants.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-3

EOC: S1-3

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

8) Management accountants spend more time planning, analyzing and interpreting accounting data and less time recording routine accounting transactions than they have in the past.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-3

EOC: S1-3

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

9) The only skill required of managerial accountants is that they have a solid knowledge of both financial and managerial accounting.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-3

EOC: S1-3

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

10) Managerial accountants only need a solid understanding of managerial accounting, and not financial accounting.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-3

EOC: S1-3

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

11) Which of the following certifications is issued by the Society of Management Accountants?

A) CPA

B) CMA

C) CIA

D) CFP

Answer: B

Diff: 1 Type: MC

LO: 1-3

EOC: S1-4

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

12) A CFO would have all of the following responsibilities EXCEPT:

A) preparing all corporate tax returns.

B) managing corporate financing.

C) providing reports to creditors as required.

D) investing in new equipment.

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

13) Who typically manages the daily operations of a company?

- A) Stockholders
- B) The controller
- C) The company's board of directors
- D) The CEO

Answer: D

Diff: 1 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

14) Who typically provides oversight for large corporations?

- A) Stockholders
- B) The CEO
- C) The Board of Directors
- D) The company president

Answer: C

Diff: 1 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

15) The vice-president of operations directly reports to which person(s)?

- A) The CFO
- B) The COO
- C) The CEO
- D) The Board of Directors

Answer: B

Diff: 1 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

16) The COO is responsible for managing which of the following aspect(s) of the company?

- A) Internal controls
- B) The annual audit
- C) Financial, managerial, and tax accounting
- D) Research and development, production, and distribution

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

17) Which of the following report to the audit committee of the Board of Directors?

- A) The treasurer and controller
- B) The CFO and internal audit department
- C) The internal audit department and the independent CPA firm
- D) The CFO and the independent CPA firm

Answer: C

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

18) Who is primarily responsible for raising capital and investing funds?

- A) The CEO
- B) The CFO
- C) The COO
- D) The Treasurer

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

19) What has been the determining factor in the way that we now view managerial accountants?

- A) Stricter audit standards
- B) Stricter GAAP standards
- C) Technology
- D) None of the above

Answer: C

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

20) Managerial accountants perform which of the following tasks?

- A) Ensure financial records are correct
- B) Help design information systems
- C) Provide decision support
- D) All of the above

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

21) Managerial accountants may be responsible for:

- A) analyzing data.
- B) communicating results.
- C) providing decision support.
- D) all of the above.

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

22) Which of the following skills are required of managerial accountants?

- A) The ability to work on a team
- B) Analytical skills
- C) Oral and written communication skills
- D) All of the above

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

23) Which would be a subgroup of the Board of Directors?

- A) Audit committee
- B) Financial committee
- C) Managerial committee
- D) Stockholders' committee

Answer: A

Diff: 1 Type: MC

LO: 1-3

EOC: E1-10

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

24) Which person or group is NOT an employee of a corporation?

- A) The CFO
- B) A member of the audit committee
- C) The Treasurer
- D) The VP of manufacturing

Answer: B

Diff: 2 Type: MC

LO: 1-3

EOC: S1-4

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

25) Which person is hired directly by the board of directors to run the company?

- A) The Treasurer
- B) The CEO
- C) The CFO
- D) The COO

Answer: B

Diff: 1 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

26) Managerial accountants often work on teams called:

- A) audit teams.
- B) cross-functional teams.
- C) multi-functional teams.
- D) workgroups.

Answer: B

Diff: 1 Type: MC

LO: 1-3

EOC: S1-4

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

27) A company's Board of Directors meets:

- A) annually.
- B) monthly.
- C) periodically, as needs dictate.
- D) quarterly.

Answer: C

Diff: 1 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

28) Who requires companies listed on the New York Stock Exchange to have an internal audit function?

- A) The Board of Directors
- B) The NYSE
- C) The internal revenue service (IRS)
- D) The stockholders

Answer: B

Diff: 2 Type: MC

LO: 1-3

EOC: S1-4

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

29) The person or position who is directly responsible for all financial concerns is the:

- A) CEO.
- B) CFO.
- C) COO.
- D) Treasurer.

Answer: B

Diff: 1 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

30) The person or position who is directly responsible for the company's operations, such as research and development, production and distribution is the:

- A) CEO.
- B) CFO.
- C) COO.
- D) Treasurer.

Answer: C

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

31) Describe the position of the CFO, the treasurer, and the controller within the organization. Describe the main functions of the treasurer and the controller.

Answer: The treasurer and controller both report to the CFO. The treasurer is responsible for the investing functions of the organization (i.e., obtaining financing, paying down debt, issuing stock, etc.). The controller is responsible for the financial accounting system and the managerial accounting system of the organization.

Diff: 2 Type: ES

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

32) Which of the following skills are required of managerial accountants?

A) Solid knowledge of financial accounting

B) Problem solving and analytical skills

C) Knowledge of how a business runs

D) All of the above

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

33) Which of the following skills are required of managerial accountants?

A) Adherence to professional and ethical standards

B) Problem solving and analytical skills

C) Written and verbal communication skills

D) All of the above

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

34) Which of the following is NOT included in the list of necessary skills for management accountants?

A) Solid knowledge of financial accounting

B) Problem solving and analytical skills

C) Knowledge of how a business runs

D) Ability to work independently

Answer: D

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

35) Which of the following is NOT included in the list of necessary skills for management accountants?

- A) Solid knowledge of financial accounting
- B) Analytical skills
- C) Designation as a qualified managerial accountant.
- D) Knowledge of how a business runs

Answer: C

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

36) Which of the following is NOT included in the list of necessary skills for management accountants?

- A) Designation as a qualified managerial accountant
- B) Analytical skills
- C) Adherence to professional and ethical standards
- D) Knowledge of how a business runs

Answer: A

Diff: 2 Type: MC

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

37) Why is it important that all managerial accountants adhere to professional and ethical standards as codified by the profession?

Answer: At the root of all business relationships is trust. Without trust, business cannot function.

Diff: 2 Type: ES

LO: 1-3

EOC: E1-11

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

Section 1.4

1) The SMA is the professional association for managerial accountants.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-4

EOC: E1-12

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

2) The CMA designation is issued by the Society of Management Accountants of Canada.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-4

EOC: E1-12

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

3) Your company sends you to a conference to update your skills. You decide to skip the afternoon session and go sightseeing. This violates the professional competency and integrity standards.

Answer: TRUE

Diff: 2 Type: TF

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

4) The Society of management Accountants Code of Professional Ethics always gives clear guidance for every ethical situation.

Answer: FALSE

Diff: 2 Type: TF

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

5) Just because a behavior is legal does not always make it ethical.

Answer: TRUE

Diff: 2 Type: TF

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

6) The Society of Management Accountants ethical principles include: Responsibility, Loyalty, honour and integrity.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

7) When faced with an ethical dilemma, the Society of Management Accountants suggests that the first thing management accountants should do is call the Society's ethics hotline.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

8) To resolve ethical dilemmas management accountants should FIRST:

A) follow their company's established policies for Reporting unethical behavior.

B) discuss the unethical situation with their immediate supervisor.

C) consult an attorney.

D) call the Society of Management Accountants "Ethics Hotline" .

Answer: A

Diff: 1 Type: MC

LO: 1-4

EOC: S1-5

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

9) Which of the following is NOT one of the Society of Management Accountants overarching ethical principles?

A) Honour

B) Fairness

C) Integrity

D) Responsibility

Answer: B

Diff: 1 Type: MC

LO: 1-4

EOC: S1-5

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

10) The overarching principles in the Society of Management Accountants Code of Professional Ethics include all of the following EXCEPT:

- A) fairness.
- B) integrity.
- C) loyalty.
- D) responsibility.

Answer: A

Diff: 1 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

11) The standards of the Society of Management Accountants Code of Professional Ethics include which of the following?

- A) Integrity
- B) Honesty
- C) Fairness
- D) Objectivity

Answer: A

Diff: 1 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

12) Categorize each of the following activities as to which management responsibility it fulfills: planning, directing, controlling, or decision making.

- a. The decision to increase sales in the next fiscal period.
- b. Using production cost information to determine sales prices.
- c. Conducting variance analysis by comparing actual results to the budgeted amounts
- d. The decision to expand an existing factory.

Answer:

- a. Planning
- b. Decision making &/or Directing
- c. Controlling
- d. Controlling &/or decision Making

Diff: 1 Type: ES

LO: 1-4

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

13) Categorize each of the following activities as to which management responsibility it fulfills: planning, directing, controlling, or decision making.

- a. The manager investigates why the actual hours spent on a task exceeded the standard hours allowed.
- b. Creating the budget for the upcoming fiscal period.
- c. Designing a new incentive program for the upcoming fiscal period.
- d. Posting the staffing schedule for the next week.

Answer:

- a. Controlling
- b. Planning
- c. Planning
- d. Directing

Diff: 1 Type: ES

LO: 1-4

EOC: E1-8

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

14) Preparing financial statements in accordance with GAAP is an example of:

- A) competence.
- B) integrity.
- C) objectivity.
- D) credibility.

Answer: A

Diff: 1 Type: MC

LO: 1-4

EOC: S1-5

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

15) Communicating information fairly and objectively represents what ethical standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: C

Diff: 1 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

16) Performing duties in accordance with relevant laws, regulations, and technical standards make up which SMA professional ethics standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: A

Diff: 1 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

17) You "pad" your expenses on a company sponsored conference. You are in violation of what ethical standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: D

Diff: 1 Type: MC

LO: 1-4

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

18) A company ships out pre-ordered merchandise the last week of December, instead of in mid- January as originally scheduled, to ensure a profit for the year. This action could be seen as a violation of what ethical standard?

- A) Competence
- B) Confidentiality
- C) Integrity
- D) All of the above

Answer: C

Diff: 1 Type: MC

LO: 1-4

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

19) You tell your sister that the company you work for is going to report higher than expected earnings. What ethical standard is being violated?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: B

Diff: 1 Type: MC

LO: 1-4

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

20) You do not understand how "accrual accounting" works. You have failed which ethical standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: A

Diff: 1 Type: MC

LO: 1-4

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

21) You take printer paper home from work for personal use. You have violated which ethical standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: D

Diff: 1 Type: MC

LO: 1-4

EOC: E1-14

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

22) What is the name of the professional association for managerial accountants?

- A) Association of Management Accountants
- B) Society of Management Accountants
- C) Society of Professional Accountants
- D) Professional Accountants Association

Answer: B

Diff: 2 Type: MC

LO: 1-4

EOC: E1-14

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

23) The Society of Management Accountants issues what certification?

- A) CMA
- B) CPA
- C) CISA
- D) CFP

Answer: A

Diff: 1 Type: MC

LO: 1-4

EOC: E1-12

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

24) An example of the IMA's competence standard is to:

- A) abstain from engaging in or supporting any activity that might discredit the profession.
- B) communicate information fairly and objectively.
- C) keep information confidential, except when disclosure is legally required.
- D) provide decision support that is accurate, clear, concise and timely.

Answer: D

Diff: 2 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

25) Attending class to maintain professional knowledge is an example of which ethical standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: A

Diff: 2 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

26) Not disclosing confidential information is an example of which ethical standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: B

Diff: 2 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

27) Refusing gifts or favors that would influence actions is an example of which ethical standard?

- A) Competence
- B) Confidentiality
- C) Credibility
- D) Integrity

Answer: D

Diff: 2 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

28) Taking on a responsibility you know can be better completed by someone else would violate the ethical conduct standard of:

- A) competency.
- B) confidentiality.
- C) credibility.
- D) integrity.

Answer: A

Diff: 2 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

29) Not disclosing relevant information would violate the ethical conduct standard of:

- A) competency.
- B) confidentiality.
- C) credibility.
- D) integrity.

Answer: C

Diff: 2 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

30) Failure to mitigate conflicts of interest would violate the ethical conduct standard of:

- A) competency.
- B) confidentiality.
- C) credibility.
- D) integrity.

Answer: D

Diff: 2 Type: MC

LO: 1-4

EOC: S1-6

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

Section 1.5

1) The Sarbanes-Oxley Act was designed to hold corporations accountable for internal control and financial reporting functions.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

2) The Sarbanes-Oxley Act has significantly impacted the responsibility for financial reporting by publicly traded corporations.

Answer: TRUE

Diff: 2 Type: TF

LO: 1-5

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

3) CA firms cannot provide consulting services for their current audit clients.

Answer: TRUE

Diff: 2 Type: TF

LO: 1-5

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

4) Trends in the modern business environment include a shift to a service economy and the rise of the global marketplace.

Answer: TRUE

Diff: 2 Type: TF

LO: 1-5

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

5) The concept of the lean production philosophy is generally credited to General Motors.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-5

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

6) The decision to bill customers electronically, which saves the company money, would be a positive benefit when performing cost-benefit analysis.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

7) Lean production cuts the throughput time of a manufacturing concern.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

8) ISO 9001:2008 is a certification program for companies that adhere to an international set of quality management standards and guidelines.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

9) According to SOX, at least one member of the audit committee should be a financial expert.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

10) IFRS stands for "important financial reporting standards."

Answer: FALSE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

11) XBRL will be required of both public and private companies.

Answer: FALSE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

12) Managerial accounting has its roots in the industrial age of manufacturing.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

13) Lean production is both a philosophy and a business strategy of manufacturing without waste.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

14) To resolve ethical dilemmas, management accountants should first :

A) consult an attorney regarding legal obligations and rights.

B) discuss the unethical situation with an objective advisor.

C) follow their company's established policies for reporting unethical behaviour.

D) discuss the unethical situation with the immediate supervisor.

Answer: C

Diff: 1 Type: MC

LO: 1-5

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

15) Sustainability is generally described as the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Answer: True

Diff: 1 Type: ES

LO: 1-5

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

16) Company initiatives to address sustainability and corporate responsibility not only "do the right thing", but also can lead to economic profits by increasing demand for the company's products and services.

Answer: TRUE

Diff: 2 Type: TF

LO: 1-5

EOC: S1-7

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

17) SOX allows CA firms to provide which of the following services to existing audit clients, but ONLY if pre-approved by the audit committee?

A) Consulting.

B) Tax

C) Financial information design

D) Bookkeeping

Answer: B

Diff: 1 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

18) SOX requires that the company's financial statements be certified by the company's:

A) CFO.

B) CEO.

C) CFO and CEO.

D) Controller.

Answer: C

Diff: 2 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

19) SOX requires publicly traded companies to have _____ assessed annually.

A) their internal control system

B) their financial Reporting procedures

C) their internal control system and financial Reporting system

D) none of the above

Answer: C

Diff: 2 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

20) The SEC has moved to adopt IFRS for which types of companies?

- A) All U.S. companies
- B) Only foreign companies operating in the U.S.
- C) All U.S. publicly traded companies
- D) All U.S. private companies

Answer: C

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

21) IFRS stands for:

- A) International and Foreign Reporting Systems.
- B) International Financial Reporting Standards.
- C) Important Foreign Registering Systems.
- D) International and Foreign Registering Standards.

Answer: B

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

22) XBRL stands for:

- A) eXtensible Business Reporting Language.
- B) eXisting Business Responsibility Language.
- C) eXtensive Business Registering Location.
- D) eXtractable Business Reporting Location.

Answer: A

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

23) The advantages of XBRL include decreases in the need for manual searches through corporate reports for specific pieces of information as well as facilitating the comparison of companies results to industry averages and to each other.

Answer: TRUE

Diff: 1 Type: TF

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

24) XBRL is essentially a:

- A) new set of accounting standards.
- B) new set of auditing standards.
- C) a tagging system which allows computer programs to extract information from financial reports.
- D) new set of ethical standards.

Answer: C

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

25) Which of the following statements about XBRL is FALSE?

- A) The US is the first country to mandate use of XBRL.
- B) XBRL will decrease the need for manual financial information searches.
- C) XBRL is only required for publicly-traded companies.
- D) XBRL should decrease the time companies spend converting their financial information into various government-prescribed formats.

Answer: A

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

26) The philosophy and a business strategy of manufacturing without waste is referred to as:

- A) lean production.
- B) thin manufacturing.
- C) TQM.
- D) ISO 900

Answer: A

Diff: 1 Type: MC

LO: 1-5

EOC: E1-17

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

27) Companies attempt to increase their competitive edge by adopting:

- A) green initiatives.
- B) lean production.
- C) TQM.
- D) all of the above.

Answer: D

Diff: 2 Type: MC

LO: 1-5

EOC: E1-17

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

28) Movements toward sustainability and corporate responsibility often:

- A) include green initiatives.
- B) result in increased demand for the company's product or service.
- C) include monetary support of local schools and charities.
- D) do all of the above.

Answer: D

Diff: 2 Type: MC

LO: 1-5

EOC: E1-17

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

29) Why was the Sarbanes-Oxley Act enacted?

- A) To hire better qualified managerial accountants
- B) To prevent accounting scandals like Enron
- C) To restore trust in publicly traded companies
- D) None of the above

Answer: C

Diff: 1 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

30) Which is NOT a result of Sarbanes-Oxley?

- A) Audit committees must be independent.
- B) The COO assumes financial statement responsibility.
- C) There are new requirements for CPA firms.
- D) There are stiffer consequences for white-collar crimes.

Answer: B

Diff: 1 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

31) Under Sarbanes-Oxley, companies must have their internal audit procedures assessed:

- A) annually.
- B) monthly.
- C) quarterly.
- D) at any time they choose.

Answer: A

Diff: 1 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

32) Under Sarbanes-Oxley, what is the maximum number of years of imprisonment for knowingly destroying or creating documents to obstruct any federal investigation?

- A) 5 years
- B) 10 years
- C) 15 years
- D) 20 years

Answer: D

Diff: 1 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

33) Which reflects a philosophy of providing customers with superior products and services?

- A) ERP
- B) XBRL
- C) TQM
- D) IFRS

Answer: C

Diff: 1 Type: MC

LO: 1-5

EOC: E1-16

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

34) Which of the following describes a system in which suppliers deliver materials at the time they are needed?

- A) ERP
- B) JIT
- C) TQM
- D) ISO

Answer: B

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

35) ISO 9001:2008 is a(n):

- A) certification that a company complies with international quality standards.
- B) software system which integrates all departments.
- C) system where production occurs only when needed.
- D) effective exchange of information between vendors and customers.

Answer: A

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

36) What is the name given to software systems that can integrate all departments?

- A) TQM
- B) ERP
- C) Total Integrated Software
- D) JIT

Answer: B

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

37) E-commerce refers to the:

- A) conduct of business on the internet.
- B) exchange of information with customers and suppliers.
- C) production of superior goods and services.
- D) quick delivery of goods and services.

Answer: A

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

38) What is the purpose of supply chain management?

- A) To improve the quality of products
- B) To reduce costs
- C) To speed delivery of goods and services
- D) All of the above

Answer: D

Diff: 2 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

39) Companies that wish to demonstrate their commitment to international quality standards may become certified by what organization?

- A) SEC
- B) IFRS
- C) IMA
- D) ISO

Answer: D

Diff: 2 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

40) Throughput time is cut when which of the following methods is used?

- A) IFRS
- B) JIT
- C) ISO
- D) XBRL

Answer: B

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

41) Managerial accounting is needed by which type of company?

- A) Manufacturers
- B) Retailers
- C) Service
- D) All of the above

Answer: D

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

42) Which services are CA firms allowed to provide to audit clients?

- A) Bookkeeping
- B) Consulting
- C) Information systems design
- D) Tax preparation

Answer: D

Diff: 2 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

43) Exchanging information to reduce costs, speed delivery, and improve quality is the definition of:

- A) ERP.
- B) JIT.
- C) Supply-chain management.
- D) TQM.

Answer: C

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

44) The philosophy that centers on production as needed is known as:

- A) ERP.
- B) JIT.
- C) Supply-chain management.
- D) TQM.

Answer: B

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

45) The philosophy of providing superior goods and services is:

- A) ERP.
- B) JIT.
- C) Supply-chain management.
- D) TQM.

Answer: D

Diff: 1 Type: MC

LO: 1-5

EOC: E1-15

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

46) Wonder Company is considering installing an ERP system. To make a good decision, Wonder needs to conduct a(n):

- A) JIT survey.
- B) TQM survey.
- C) ISO 9001:2000 survey.
- D) cost-benefit analysis.

Answer: D

Diff: 2 Type: MC

LO: 1-5

EOC: P1-30

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

47) Which of the following would have little effect on a cost-benefit analysis?

- A) Constant prices
- B) Steadily rising prices
- C) Rapidly declining prices
- D) None of the above

Answer: A

Diff: 2 Type: MC

LO: 1-5

EOC: P1-31

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

48) Which of the following is NOT used in a cost-benefit analysis?

- A) Future benefits to be received from project
- B) Amounts for future costs of project
- C) Book value of past investment in equipment
- D) Amount needed to invest in project initially

Answer: C

Diff: 2 Type: MC

LO: 1-5

EOC: P1-31

AACSB: Reflective Thinking

AICPA Business: Critical Thinking

AICPA Functional: Reporting

49) Electric Engines Company is considering opening a plant in Brazil. It will cost \$4,000,000 to set up the plant and \$750,000 to train employees. An additional \$80,000 will be spent to build relationships with the local suppliers. The company anticipates gross profit of \$4,800,000 from this new plant. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

- A) Costs outweigh benefits by \$30,000.
- B) Benefits outweigh costs by \$30,000.
- C) Costs outweigh benefits by \$50,000.
- D) Benefits outweigh costs by \$50,000.

Answer: A

Diff: 3 Type: MC

LO: 1-5

EOC: P1-31

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Decision Making

50) New England Furniture Crafters is considering investing in an ERP program. It will have \$910,000 in software costs and \$280,000 in employee training costs. Computer hardware also needs up be upgraded for the ERP program; the hardware upgrades are expected to be \$125,000. The expected benefits from the ERP should be \$1,367,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

- A) Costs outweigh benefits by \$52,000.
- B) Benefits outweigh costs by \$52,000.
- C) Costs outweigh benefits by \$177,000 .
- D) Benefits outweigh costs by \$177,000.

Answer: B

Diff: 3 Type: MC

LO: 1-5

EOC: P1-31

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Decision Making

51) Edwards Restaurant Supplies is investigating the possibility of adopting a lean production philosophy throughout their organization. Estimated costs to set up the computer system are \$650,000; training employees in lean production is estimated to cost \$175,000; and the general expenses of establishing the program are estimated at \$35,000. The estimated value of the potential savings is \$975,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

- A) Costs outweigh benefits by \$150,000.
- B) Benefits outweigh costs by \$150,000.
- C) Costs outweigh benefits by \$115,000 .
- D) Benefits outweigh costs by \$115,000.

Answer: D

Diff: 3 Type: MC

LO: 1-5

EOC: P1-31

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Decision Making

52) Gilmore Corporation is investigating the possibility of adopting a lean production philosophy in its manufacturing facilities. The plant manager has done a cost-benefit analysis and has found that the costs of the lean production program exceed the benefits by \$115,000. You analyze the situation and make some adjustments to the cost estimates. After doing your analysis, you find that costs still outweigh benefits by less than 5%. Which might be a sound course of action?

- A) Consider dropping the plan.
- B) Look for ways to lessen costs.
- C) Re-evaluate the value of benefits.
- D) All of the above should be considered.

Answer: D

Diff: 2 Type: MC

LO: 1-5

EOC: P1-31

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Decision Making

53) Chesrown Motors is considering whether or not to expand into a new area of the US. They produce high-end motorcycles with moderate gas mileage, but have developed a new technology to increase the mileage of their bikes. They will need to spend \$175,000 to retrofit a building to incorporate the new fuel technology. New worker training will cost \$84,000. Other expenses involved in getting the new plant up and running amount to \$32,000. Cagle anticipates that, with gas price increases, the profit potential of this expansion is \$388,000. Do the benefits outweigh the costs or do the costs outweigh the benefits, and by how much?

Answer:

Sales from expansion	\$388,000
Less costs:	
Cost to retrofit a building	\$(175,000)
New worker training	\$(84,000)
Other plant expenses	\$(32,000)
Benefits outweigh costs by	\$97,000

Diff: 2 Type: ES

LO: 1-5

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Decision Making

54) Match the appropriate terms with the correct definitions.

Definition	Term
1. ____ Exchange of information with suppliers to reduce costs, improve quality, and speed delivery of goods and services from suppliers to the company itself and on to customers.	a. SOX
2. ____ A philosophy and business strategy of manufacturing without waste.	b. ERP
3. ____ Software systems that can integrate all of a company's worldwide functions, departments, and data into a single system.	c. Supply-Chain Management
4. ____ A data tagging system that enables companies to release financial and business information in a format that can be accessed over the internet.	d. JIT
5. ____ An organization which supports and issues quality-related certifications.	e. IFRS
6. ____ Set of standards which may be adopted for all publicly traded companies and may differ from GAAP.	f. Lean production
7. ____ A congressional act that enhances internal control and financial Reporting requirements and establishes new regulatory requirements for publicly traded companies and their independent auditors.	g. ISO
8. ____ A system where production is triggered by orders (demand).	h. XBRL

Answer:

1. c
2. f
3. b
4. h
5. g
6. e
7. a
8. d

Diff: 2 Type: ES

LO: 1-5

EOC: P1-30

AACSB: Analytical Thinking

AICPA Business: Critical Thinking

AICPA Functional: Decision Making